

[REDACTED]

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NOV 6 1954

[REDACTED]

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(5) of the Internal Revenue Code of 1954

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] Co. [REDACTED]

Your purpose, briefly stated, is to engage in any activity in connection with the production, harvesting, grading, standardizing, packing, fumigation, transportation, financing, marketing or distributing fruit.

Your membership is made up of growers, packers, shippers and exporters of deciduous fruits.

Your activities thus far have been in connection with the fumigation of cherries for shipment to [REDACTED]. You arranged for the preparation of a fumigation chamber to meet Government requirements, and the supervision of the fumigation of the cherries. The costs of preparing the facilities and fumigating the cherries were allocated among your members on the basis of each box of cherries fumigated for your members.

Section 501(c)(5) of the Internal Revenue Code provides for the exemption from Federal income tax of labor, agricultural or horticultural organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations describes organizations contemplated by section 501(c)(5) of the Code as those organizations which have no net earnings inuring to the benefit of any member, and have as their objects the betterment of the conditions of persons engaged in the pursuits of labor, agriculture, or horticulture, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SUR NAME	[REDACTED]						
DATE	10-21						

Revenue Ruling 77-153, 1977-1, C.B. 147, held that an organization created to operate and lease a facility to its members, through which livestock could be collected, weighed, sorted, graded and then shipped to buyers, was not exempt under section 501(c)(5) of the Code. This service relieved the members of the organization of work they would either have to perform themselves or have performed for them. Such activity does not serve an exempt purpose of an agricultural organization under section 1.501(c)(5)-1 of the regulations.

Based on the information submitted, we hold that you do not qualify for recognition of exemption under section 501(c)(5) of the Code. Your primary purpose is to provide a service to your members, which, as in the Revenue Ruling cited above, they would otherwise have to perform themselves or have performed for them. This is not an exempt activity under section 501(c)(5) of the Code.

You are required to file Federal income tax returns on Form 1120 for each year of your existence.

If you accept our findings, you do not need to take further action.

If you do not accept our findings, we recommend that you request a conference with the Office of Regional Director of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at our Regional office or, if you request, at any mutually convenient District office.

If we do not hear from you within 30 days from the date of this letter, this ruling will become final. If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,


District Director

Enclosure:
Publication 892

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SHIP NAME							